



Senate

General Assembly

File No. 284

February Session, 2012

Substitute Senate Bill No. 411

Senate, April 5, 2012

The Committee on Insurance and Real Estate reported through SEN. CRISCO of the 17th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE INSURANCE HOLDING COMPANY SYSTEM REGULATORY ACT.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 38a-129 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2012*):

3 (a) It shall be the purpose of sections 38a-129 to 38a-140, inclusive,
4 as amended by this act, to safeguard the financial security of
5 Connecticut domestic insurance companies by empowering the
6 Insurance Commissioner to supervise the activities of insurance
7 companies doing business within this state which are affiliated with an
8 insurance holding company system, to review the acquisition of
9 control over the management of domestic insurance companies,
10 however effectuated, and to provide standards for such supervision
11 and review.

12 (b) As used in sections 38a-129 to 38a-140, inclusive, as amended by
13 this act, the following terms shall have the respective meanings

14 hereinafter set forth, unless the context shall otherwise require:

15 (1) "Affiliate" [and] or "affiliated" [have] has the same meaning
16 [assigned to them by] as provided in section 38a-1;

17 (2) "Commissioner" means the Insurance Commissioner and any
18 assistant to the Insurance Commissioner designated and authorized by
19 [him] the commissioner while acting under such designation;

20 (3) "Control", "controlled by" [and] or "under common control with"
21 [have] has the same meaning [assigned to them by] as provided in
22 section 38a-1. Control shall be presumed to exist if any person, directly
23 or indirectly, owns, controls, holds with the power to vote, or holds
24 proxies representing, ten per cent or more of the voting securities of
25 any other person. This presumption may be rebutted by a showing
26 that control does not exist in fact. The commissioner may determine,
27 after furnishing all persons in interest notice and opportunity to be
28 heard and making specific findings of fact to support the
29 determination, [determine] that control exists in fact, notwithstanding
30 the absence of a presumption to that effect;

31 (4) "Enterprise risk" means any activity, circumstance, event or
32 series of events involving one or more affiliates of an insurer that, if
33 not remedied promptly, is likely to have a material adverse effect upon
34 the financial condition or liquidity of the insurer or the insurer's
35 insurance holding company system as a whole, including, but not
36 limited to, any activity, circumstance, event or series of events that
37 would cause an insurer's risk-based capital to fall below minimum
38 threshold levels, as described in subsection (d) of section 38a-72 or, for
39 a health care center, in subdivision (2) of subsection (a) of section 38a-
40 193, or would cause the insurer to be in a hazardous financial
41 condition;

42 [(4)] (5) "Insurance holding company system" means two or more
43 affiliated persons, one or more of which is an insurance company;

44 [(5)] (6) "Insurance company" [shall have] or "insurer" has the same

45 meaning as [set forth] provided in section 38a-1, except that it [shall]
46 does not include agencies, authorities or instrumentalities of the
47 United States, its possessions and territories, the Commonwealth of
48 Puerto Rico, the District of Columbia, or a state or political subdivision
49 of a state;

50 (7) "NAIC" means the National Association of Insurance
51 Commissioners;

52 [(6)] (8) "Person" [means a person as defined] has the same meaning
53 as provided in section 38a-1, or any combination of persons so defined
54 acting in concert;

55 [(7)] (9) A "securityholder" of a specified person means one who
56 owns any security of such person, including common stock, preferred
57 stock, debt obligations and any other security convertible into or
58 evidencing the right to acquire any of the foregoing;

59 [(8)] (10) "Subsidiary" [is defined] has the same meaning as
60 provided in section 38a-1;

61 [(9)] (11) "Voting security" [is defined to include] includes any
62 security convertible into or evidencing a right to acquire a voting
63 security.

64 Sec. 2. Section 38a-130 of the general statutes is repealed and the
65 following is substituted in lieu thereof (*Effective October 1, 2012*):

66 (a) (1) No person other than the issuer shall make a tender offer for
67 [.] or a request or invitation for tenders of, enter into any agreement to
68 exchange securities for, seek to acquire [.] or acquire, in the open
69 market or otherwise, any voting security, or solicit any proxy for the
70 purpose of acquiring control, of a domestic insurance company or,
71 subject to the provisions of subsection (c) of this section, any
72 corporation controlling a domestic insurance company if, after the
73 consummation thereof, such person would, directly or indirectly, or by
74 conversion or by exercise of any right to acquire, be in control of such
75 domestic insurance company or corporation controlling a domestic

76 insurance company. [and no] As used in this section, (A) "domestic
77 insurance company" includes any person controlling a domestic
78 insurance company unless such person is directly or through affiliates
79 primarily engaged in business other than the business of insurance, as
80 determined by the commissioner, and (B) "person" does not include a
81 securities broker holding, in the usual and customary broker's
82 function, less than twenty per cent of the voting securities of an
83 insurance company or of any entity that controls an insurance
84 company.

85 (2) (A) (i) No person shall enter into an agreement to merge with or
86 otherwise acquire control of a domestic insurance company or any
87 corporation controlling a domestic insurance company unless, at the
88 time any form of initial offer, request or invitation is made or the
89 agreement is entered into, or prior to the acquisition of such securities
90 or proxies if no offer or agreement is involved, such person has filed
91 with the commissioner and has sent to such insurance company a
92 statement containing the information required by subsection (b) of this
93 section and such offer, request, invitation, agreement or acquisition has
94 been approved by the commissioner in the manner hereinafter
95 prescribed.

96 (ii) If any offer, request, invitation, agreement or acquisition is
97 proposed to be made by means of a registration statement under the
98 Securities Act of 1933 or in circumstances requiring the disclosure of
99 similar information under the Securities Exchange Act of 1934, the
100 person required to file the statement under subparagraph (A)(i) of this
101 subdivision may utilize the registration statement or such documents
102 furnishing the similar information to provide the information required
103 by subsection (b) of this section, to the extent that the registration
104 statement or such documents contains such information.

105 (B) If the acquisition will result in a change of control of an
106 insurance company authorized to do business in this state, the person
107 seeking to acquire control of such insurance company shall file the
108 preacquisition notification set forth in subsection (c) of section 38a-131,

109 as amended by this act, with the commissioner and comply with the
110 provisions of subsection (c) of section 38a-131, as amended by this act.

111 (3) Any controlling person of a domestic insurance company
112 seeking to divest in any manner such person's controlling interest in
113 such insurance company shall file with the commissioner and send to
114 such insurance company a confidential notice of the proposed
115 divestiture at least thirty days' prior to such divestiture, except that if a
116 statement set forth in subparagraph (A) of subdivision (2) of this
117 subsection has been filed with the commissioner with respect to such
118 transaction, such controlling person shall not be required to file or
119 send such confidential notice. The notice shall remain confidential
120 until the conclusion of the divestiture unless the commissioner
121 determines that such confidential treatment will interfere with the
122 enforcement of this section. The commissioner shall adopt regulations,
123 in accordance with the provisions of chapter 54, to establish the
124 circumstances under which a controlling person shall be required to
125 obtain the commissioner's prior approval of such divestiture.

126 (b) [Such] (1) The statement required under subparagraph (A) of
127 subdivision (2) of subsection (a) of this section shall be made under
128 oath or affirmation and shall contain the following information:

129 [(1)] (A) The name and address of each person by whom or on
130 whose behalf the merger or other acquisition of control referred to in
131 subsection (a) of this section is to be effected, hereinafter called
132 "acquiring party", and (i) if such person is an individual, [his] such
133 individual's principal occupation and all offices and positions held
134 during the past five years, and any conviction of crimes other than
135 minor traffic violations during the past ten years, [;] or (ii) if such
136 person is not an individual, (I) a report of the nature of its business
137 operations during the past five years or for such lesser period as such
138 person and any predecessors thereof shall have been in existence, [;]
139 (II) an informative description of the business intended to be done by
140 such person and such person's subsidiaries, [;] and (III) a list of all
141 individuals who are or who have been selected to become directors or

142 executive officers of such person [.] or who perform functions
143 appropriate to such positions. Such list shall include for each such
144 individual the information required by subparagraph (A)(i) of this
145 subdivision;

146 [(2)] (B) The source, nature and amount of the consideration used or
147 to be used in effecting the merger or other acquisition of control, a
148 description of any transaction wherein funds were or are to be
149 obtained for any such purpose including any pledge of the insurance
150 company's stock [.] or the stock of any of its subsidiaries or controlling
151 affiliates [.] and the identity of persons furnishing such consideration,
152 provided, where a source of such consideration is a loan made in the
153 lender's ordinary course of business, the identity of the lender shall
154 remain confidential if the person filing such statement so requests;

155 [(3)] (C) Fully audited financial information as to the earnings and
156 financial condition of each acquiring party or for the preceding five
157 fiscal years of each such acquiring party for such lesser period as such
158 acquiring party and any predecessors thereof shall have been in
159 existence, and similar unaudited information as of a date not earlier
160 than ninety days prior to the filing of the statement;

161 [(4)] (D) Any plans or proposals [which] that each acquiring party
162 may have to liquidate such insurance company, to sell [its] such
163 insurance company's assets or merge or consolidate it with any person,
164 or to make any other material change in [its] such insurance company's
165 business or corporate structure or management;

166 [(5)] (E) The number of shares of any security referred to in
167 subsection (a) of this section [which] that each acquiring party
168 proposes to acquire, [and] the terms of the offer, request, invitation,
169 agreement or acquisition referred to in said subsection (a), and a
170 statement as to the method by which the fairness of the proposal was
171 arrived at;

172 [(6)] (F) The amount of each class of any security referred to in
173 subsection (a) of this section [which] that is beneficially owned or

174 concerning which there is a right to acquire beneficial ownership by
175 each acquiring party;

176 [(7)] (G) A full description of any contracts, arrangements or
177 understandings with respect to any security referred to in subsection
178 (a) of this section in which any acquiring party is involved, including,
179 but not limited to, transfer of any of the securities, joint ventures, loan
180 or option arrangements, puts or calls, guarantees of loans, guarantees
181 against loss or guarantees of profits, division of losses or profits [,] or
182 the giving or withholding of proxies. Such description shall identify
183 the persons with whom such contracts, arrangements or
184 understandings have been entered into;

185 [(8)] (H) A description of the purchase of any security referred to in
186 subsection (a) of this section during the twelve calendar months
187 preceding the filing of the statement, by any acquiring party, including
188 the dates of purchase, names of the purchasers and consideration paid
189 or agreed to be paid;

190 [(9)] (I) A description of any recommendations to purchase any
191 security referred to in subsection (a) of this section made during the
192 twelve calendar months preceding the filing of the statement, by any
193 acquiring party, or by anyone based upon interview or at the
194 suggestion of such acquiring party;

195 [(10)] (J) Copies of all tender offers for, requests, [or] invitations for
196 tenders of, exchange offers for [,] and agreements to acquire or
197 exchange any securities referred to in subsection (a) of this section and
198 of additional soliciting material relating thereto;

199 [(11)] (K) The term of any agreement, contract or understanding
200 made with or proposed to be made with any broker-dealer as to
201 solicitation of securities referred to in subsection (a) of this section for
202 tender and the amount of any fees, commissions or other
203 compensation to be paid to broker-dealers with regard thereto;

204 (L) An acknowledgment by the person filing such statement that

205 such person shall make a good faith effort to ensure that the annual
206 enterprise risk report required under subsection (f) of section 38a-135,
207 as amended by this act, is filed in a timely manner for as long as such
208 person's control exists;

209 (M) An acknowledgment by the person filing such statement that
210 such person and all subsidiaries in the insurance holding company
211 system within such person's control will provide such information the
212 commissioner may request to evaluate enterprise risk to the insurance
213 company; and

214 ~~[(12)]~~ (N) Such additional information as the commissioner may
215 prescribe as necessary or appropriate for the protection of
216 policyholders of the insurance company or in the public interest.

217 (2) If the person required to file the statement [referred to in
218 subsection (a)] under subparagraph (A) of subdivision (2) of
219 subsection (a) of this section is a partnership, limited partnership,
220 syndicate or other group, the commissioner may require that the
221 information called for by [subdivisions (1) to (12)] subparagraphs (A)
222 to (N), inclusive, of subdivision (1) of this subsection shall be given
223 with respect to each partner of such partnership or limited partnership,
224 each member of such syndicate or group [,] and each person who
225 controls such partner or member. If any such partner, member or
226 person [is a corporation,] or the person required to file [the] such
227 statement [referred to in subsection (a) of this section] is a corporation,
228 the commissioner may require that the information called for by
229 [subdivisions (1) to (12)] subparagraphs (A) to (N), inclusive, of
230 subdivision (1) of this subsection shall be given with respect to such
231 corporation, each officer and director of such corporation [,] and each
232 person who is directly or indirectly the beneficial owner of more than
233 ten per cent of the outstanding voting securities of such corporation. If
234 any material change occurs in the facts set forth in the statement filed
235 with the commissioner and sent to such [insurer] insurance company
236 pursuant to this section, an amendment setting forth such change,
237 together with copies of all documents and other material relevant to

238 such change, shall be filed with the commissioner and sent to such
239 insurance company [within] not later than two business days after the
240 person learns of such change.

241 (c) Any person seeking to acquire control of any corporation [which]
242 that is not itself a domestic insurance company but [which] that
243 controls a domestic insurance company shall remain fully subject to all
244 the provisions of sections 38a-129 to 38a-140, inclusive, as amended by
245 this act, except if such control is sought to be acquired by means of a
246 tender offer, exchange offer or solicitation of proxies, the required
247 approval of the commissioner need not be obtained prior to
248 commencement of such tender offer, exchange offer or solicitation of
249 proxies. Such person shall [, however,] be required to furnish the
250 commissioner with a statement under oath or affirmation containing
251 the information required in subsection (b) of this section no later than
252 the date on which the tender offer, exchange offer or solicitation of
253 proxies commences.

254 (d) The following shall constitute violations of subsections (a) to (c),
255 inclusive, of this section: (1) The failure to file any statement,
256 amendment or other material required to be filed pursuant to
257 subsection (a) or (b) of this section; [or] (2) the effectuation of [,] or any
258 attempt to effectuate [,] an acquisition of control of, divestiture of or
259 merger with [,] a domestic insurance company, other than a domestic
260 insurance company referred to in subsection (c) of this section, unless
261 the commissioner has given [his prior] the commissioner's approval
262 thereto after [the] a hearing [required under] held pursuant to section
263 38a-132, as amended by this act; or (3) the effectuation of an acquisition
264 of control of [,] or merger with [,] a domestic insurance company
265 referred to in subsection (c) of this section, unless the commissioner
266 has given [his prior] the commissioner's approval thereto after [the] a
267 hearing [required under] held pursuant to section 38a-132, as amended
268 by this act. For purposes of subdivision (3) of this subsection, the
269 acquisition, directly or indirectly, of ten per cent or more of the voting
270 securities of any corporation [which] that is not itself a domestic
271 insurance company but [which] that controls a domestic insurance

272 company, whether by tender offer, exchange offer [,] or otherwise, or
273 the voting of proxies representing ten per cent or more of the voting
274 securities of any such corporation shall be presumed to be the
275 effectuation of an acquisition of control of a domestic insurance
276 company referred to in subsection (c) of this section.

277 (e) The courts of this state hereby are vested with jurisdiction over
278 every person not resident, domiciled or authorized to do business in
279 this state who files a statement with the commissioner under
280 subsection (a) of this section [,] and [overall] over all actions involving
281 such persons arising out of violations of this section. [, and each] Each
282 such person shall be deemed to have performed acts equivalent to and
283 constituting an appointment by such [a] person of the commissioner to
284 be [his] such person's true and lawful attorney upon whom may be
285 served all lawful process in any action, suit or proceeding arising out
286 of violations of this section. Copies of all such lawful process shall be
287 served on the commissioner in accordance with section 38a-26.

288 Sec. 3. Section 38a-131 of the general statutes is repealed and the
289 following is substituted in lieu thereof (*Effective October 1, 2012*):

290 [If any offer, invitation, request, agreement or acquisition referred to
291 in section 38a-130 is proposed to be made by means of a registration
292 statement under the Securities Act of 1933 or in circumstances
293 requiring the disclosure of similar information under the Securities
294 Exchange Act of 1934, the person required to file the statement referred
295 to in said section 38a-130 may utilize such documents in furnishing the
296 information required by said section to the extent that the registration
297 statement contains such information.]

298 (a) For purposes of this section, (1) "acquisition" includes any
299 agreement, arrangement or activity the consummation of which will
300 result in a person acquiring, directly or indirectly, the control of
301 another through the acquisition of voting securities, assets or bulk
302 reinsurance or through a merger, and (2) "involved insurer" means (A)
303 an insurance company that acquires or is acquired by another person,
304 (B) is affiliated with an insurance company that acquires or is acquired

305 by another person, or (C) an insurance company that is the result of a
306 merger.

307 (b) The provisions of this section shall apply to any acquisition in
308 which there will be a change of control of an insurance company
309 authorized to do business in this state, except for the following:

310 (1) A purchase of securities solely for investment purposes,
311 provided such securities are not used by voting or otherwise to cause
312 or attempt to cause substantial reduction of competition in any
313 insurance market in this state. If a purchase of securities results in a
314 presumption of control as set forth in subdivision (3) of subsection (b)
315 of section 38a-129, as amended by this act, such purchase shall be
316 deemed not to be solely for investment purposes unless (A) the
317 insurance regulatory official of such insurance company's state of
318 domicile accepts a disclaimer of control from such insurance company
319 or such regulatory official affirmatively finds that control does not
320 exist, and (B) such regulatory official communicates such disclaimer or
321 affirmative finding to the commissioner;

322 (2) The acquisition of a person by another person when neither
323 person is directly or through affiliates primarily engaged in the
324 business of insurance;

325 (3) The acquisition of an affiliate;

326 (4) An acquisition if, as an immediate result of such acquisition, (A)
327 the combined market share of the involved insurers will not exceed
328 five per cent of the total market in any market, (B) there will be no
329 increase in any market share, or (C) (i) the combined market share of
330 the involved insurers will not exceed twelve per cent of the total
331 market in any market, and (ii) the market share will not increase more
332 than two per cent of the total market in any market;

333 (5) An acquisition for which a preacquisition notification would be
334 required solely due to the resulting effect on the ocean marine
335 insurance line of business in this state;

336 (6) An acquisition of an insurance company that is affirmatively
337 determined by the insurance regulatory official of such insurance
338 company's state of domicile to be in failing condition and (A) there is a
339 lack of a feasible alternative to improving such condition, (B) the
340 public benefits of improving such insurance company's condition
341 through the acquisition exceed the public benefits that would arise
342 from not causing a reduction in competition in this state, and (C) such
343 regulatory official has communicated such determination and findings
344 to the Insurance Commissioner.

345 (c) For an acquisition not exempt under subsection (b) of this
346 section, the acquiring party shall file a preacquisition notification in
347 accordance with this section and the acquired party may file a
348 preacquisition notification. The commissioner shall treat any
349 information filed under this subsection as confidential in the same
350 manner as provided under section 38a-137, as amended by this act.

351 (1) The preacquisition notification shall be in such form and contain
352 such information as the National Association of Insurance
353 Commissioners prescribes. The commissioner may require additional
354 material and information the commissioner deems necessary,
355 including, but not limited to, the opinion of an economist as to the
356 impact of the proposed acquisition on competition in this state, to
357 evaluate whether the proposed acquisition will violate the competitive
358 standard described in subsection (d) of this section.

359 (2) There shall be a waiting period after the acquiring party files the
360 preacquisition notification. Such waiting period shall begin on the date
361 the commissioner receives the preacquisition notification and shall end
362 on the thirtieth day after such date or upon termination by the
363 commissioner of such waiting period, whichever is earlier. Prior to the
364 end of the waiting period, the commissioner may require, on a one-
365 time basis, the acquiring party or the acquired party to submit
366 additional needed information relevant to the proposed acquisition, in
367 which case the waiting period shall end on the thirtieth day after the
368 commissioner receives the additional information or upon termination

369 by the commissioner of such waiting period, whichever is earlier.

370 (d) (1) For a proposed acquisition not exempt under subsection (b)
 371 of this section, the commissioner shall evaluate whether such proposed
 372 acquisition will reduce substantially competition in any line of
 373 insurance business in this state or tend to create a monopoly in this
 374 state. In making such evaluation, the commissioner shall consider the
 375 percentages of market share the involved insurers possess and the
 376 market in which the involved insurers compete.

377 (A) (i) With respect to an acquisition involving more than two
 378 involved insurers, if a comparison of the percentage of market share of
 379 the insurance company with the largest market share, designated as
 380 Insurer A, against each involved insurer shows for any such
 381 comparison that the percentages exceed those in the tables set forth in
 382 this subparagraph, such showing shall be prima facie evidence of a
 383 violation of the competitive standards described in this subdivision.
 384 Percentages not shown in the tables shall be interpolated
 385 proportionately to the percentages shown:

386 (I) In a highly concentrated market and the involved insurers
 387 possess the following shares of the market:

T1	<u>Insurer A</u>	<u>Insurer B</u>
T2	<u>4%</u>	<u>4% or more</u>
T3	<u>10%</u>	<u>2% or more</u>
T4	<u>15%</u>	<u>1% or more</u>

388 or;

389 (II) In a market not highly concentrated and the involved insurers
 390 possess the following shares of the market:

T5	<u>Insurer A</u>	<u>Insurer B</u>
T6	<u>5%</u>	<u>5% or more</u>
T7	<u>10%</u>	<u>4% or more</u>
T8	<u>15%</u>	<u>3% or more</u>

T9

19%1% or more

391 (ii) For purposes of this subparagraph, a highly concentrated market
392 is one in which the share of the four largest insurance companies is
393 seventy-five per cent or more of the market.

394 (B) (i) An acquisition involving two or more involved insurers
395 competing in the same market shall be prima facie evidence of a
396 violation of the competitive standards described in this subdivision if
397 (I) there is a significant trend toward increased concentration in the
398 market, (II) one of the involved insurers is included in a grouping of
399 large insurance companies that shows the increase in market share
400 specified in subparagraph (B)(ii) of this subdivision, and (III) another
401 involved insurer's market share is two per cent or more.

402 (ii) For purposes of this subparagraph, there is a significant trend
403 toward increased concentration in the market when the aggregate
404 market share for any grouping of the largest insurance companies in
405 the market, from the two largest to the eight largest, has increased by
406 seven per cent or more of the market over a period extending from any
407 base year not less than five years and not more than ten years prior to
408 the proposed acquisition.

409 (2) For purposes of subdivision (1) of this subsection, "market"
410 means the relevant product and geographical markets. In determining
411 the relevant product and geographical markets, the commissioner shall
412 give due consideration to (A) definitions or guidelines, if any,
413 promulgated by the National Association of Insurance Commissioners,
414 (B) information submitted, if any, by an acquiring party or an acquired
415 party, and (C) any other information the commissioner deems
416 relevant. In the absence of sufficient information to the contrary, the
417 relevant product market shall be the direct written insurance premium
418 for a line of business, such line being that used in the annual statement
419 insurance companies doing business in this state are required to file
420 with the commissioner, and the relevant geographical market shall be
421 this state.

422 (3) (A) An acquiring party or an acquired party may rebut a prima
423 facie violation set forth in subdivision (1) of this subsection based on
424 substantial evidence of the absence of the requisite anticompetitive
425 effect. Factors relevant to such rebuttal include, but are not limited to,
426 the involved insurers' market shares, the volatility of market leader
427 rankings, the number of competitors in the market, the concentration
428 and the trend in concentration in the insurance industry and ease of
429 entry to and exit from the market.

430 (B) The commissioner may find, based on substantial evidence, a
431 violation of the competitive standards described in subdivision (1) of
432 this subsection that is not a prima facie violation as set forth in said
433 subdivision (1).

434 (e) (1) (A) If the commissioner finds that a proposed acquisition
435 violates the competitive standards described in subdivision (1) of
436 subsection (d) of this section or if an acquiring party fails to file or fails
437 to provide adequate information in the preacquisition notification
438 required under subsection (c) of this section, the commissioner may
439 issue an order, after notice and hearing, (i) directing an involved
440 insurer to cease and desist from doing business in this state with
441 respect to any line of insurance involved in the violation, or (ii)
442 denying the application of an involved insurer for a license to do
443 business in this state.

444 (B) The commissioner shall not issue such order unless (i) there is a
445 hearing, (ii) notice of the hearing is provided to the involved insurers
446 prior to the end of the waiting period specified in subsection (c) of this
447 section and not less than fifteen days prior to the hearing, and (iii) the
448 hearing is concluded and the order issued not later than sixty days
449 after the date the acquiring party filed the preacquisition notification
450 under subsection (c) of this section. Any such order shall be
451 accompanied by a written decision by the commissioner setting forth
452 findings of fact and conclusions of law.

453 (C) Any person who violates a cease and desist order of the
454 commissioner may, after notice and hearing, be fined not more than

455 ten thousand dollars for each day of such violation or be subject to
456 suspension or revocation of such person's license or both.

457 (D) An order issued pursuant to this subdivision shall not apply if
458 the proposed acquisition is not consummated.

459 (2) The commissioner shall not issue an order under subdivision (1)
460 of this subsection if:

461 (A) The proposed acquisition will yield substantial economies of
462 scale or economies in resource utilization that cannot be feasibly
463 achieved in any other way and the public benefits that would arise
464 from such economies exceed the public benefits that would arise from
465 not causing a reduction in competition in this state; or

466 (B) The proposed acquisition will substantially increase the
467 availability of insurance in this state and the public benefits of such
468 increase exceed the public benefits that would arise from not causing a
469 reduction in competition in this state.

470 (f) Any person that fails to make a filing required under this section
471 and fails to demonstrate a good faith effort to comply with such filing
472 requirement shall be fined not more than fifty thousand dollars.

473 Sec. 4. Section 38a-132 of the general statutes is repealed and the
474 following is substituted in lieu thereof (*Effective October 1, 2012*):

475 [(a) (1) The commissioner shall hold a public hearing on the
476 question of the granting of his approval under section 38a-130 within
477 thirty days after the statement required by said section containing all
478 the information, as determined by the commissioner, is filed with him,
479 and at least twenty days notice thereof shall be given by the
480 commissioner to the person filing the statement. No less than fifteen
481 days' notice of such public hearing shall be given by the person filing
482 the statement to the insurance company and to such other persons as
483 may be designated by the commissioner. If any amendment to the
484 statement is filed, the public hearing may be postponed by the
485 commissioner for a reasonable period not to exceed thirty days after

486 the filing of such amendment. The commissioner shall make a
487 determination within thirty days after the conclusion of the hearing.

488 (2) The person filing the statement, the insurance company, any
489 person to whom notice of hearing was sent and any other affected
490 person shall have the right to present evidence, have counsel, examine
491 or cross-examine witnesses and offer oral and written argument; and
492 in connection therewith shall be entitled to conduct discovery
493 proceedings in the same manner as is prescribed by the rules for the
494 Superior Court. All discovery proceedings shall be concluded not later
495 than three days prior to the commencement of the public hearing.

496 (3) The commissioner may engage the services of, at the acquiring
497 person's expense, any attorneys, actuaries, accountants and other
498 experts not otherwise a part of the commissioner's staff as may be
499 reasonably necessary to assist the commissioner in reviewing the
500 proposed acquisition of control.]

501 [(b) (1)] (a) The commissioner shall approve any merger or other
502 acquisition of control referred to in subsection (a) of [this] section 38a-
503 130, as amended by this act, unless, after a public hearing, [he] the
504 commissioner finds that:

505 [(A)] (1) After the change of control, the domestic insurance
506 company referred to in subsection (a) of [this] section 38a-130, as
507 amended by this act, would not be able to satisfy the requirements for
508 the issuance of a license to write the line or lines of business for which
509 it is presently licensed;

510 [(B)] (2) (A) The effect of the merger or other acquisition of control
511 would be to substantially lessen competition of insurance in this state
512 or tend to create a monopoly herein. The commissioner shall consider
513 the information required under subdivision (1) of subsection (c) of
514 section 38a-131, as amended by this act, and the considerations
515 specified in subdivision (1) of subsection (d) of section 38a-131, as
516 amended by this act, in evaluating the effect of the merger or other
517 acquisition of control on competition in this state.

518 (B) The commissioner shall not disapprove the merger or other
519 acquisition of control on the basis of this subparagraph if the
520 commissioner finds that a situation as described in subdivision (2) of
521 subsection (e) of section 38a-131, as amended by this act, exists.

522 (C) The commissioner may condition the approval of the merger or
523 other acquisition of control on the correction or removal, within a
524 specified period of time, of the basis of the commissioner's disapproval
525 under this subparagraph;

526 ~~[(C)]~~ (3) The financial condition of any acquiring party is such as
527 might jeopardize the financial stability of the insurance company or
528 prejudice the interests of its policyholders;

529 ~~[(D)]~~ (4) The plans or proposals ~~[which]~~ of the acquiring party ~~[has]~~
530 to liquidate the insurance company, sell ~~[its]~~ such insurance company's
531 assets or consolidate or merge ~~[it]~~ such insurance company with any
532 person, or to make any other material change in its business or
533 corporate structure or management, are unfair and unreasonable to
534 policyholders of the insurance company and not in the public interest;

535 ~~[(E)]~~ (5) The competence, experience and integrity of those persons
536 who would control the operation of the insurance company are such
537 that it would not be in the interest of policyholders of the insurance
538 company and of the public to permit the merger or other acquisition of
539 control; or

540 ~~[(F)]~~ (6) The acquisition is likely to be hazardous or prejudicial to
541 those buying insurance.

542 (2) For purposes of this subsection, "other acquisition of control"
543 includes any offer, request, invitation, agreement, solicitation, or
544 acquisition subject to section 38a-130.]

545 (b) (1) Any public hearing held by the commissioner pursuant to
546 subdivision (1) of subsection (a) of this section shall be held not later
547 than thirty days after the statement required by section 38a-130, as
548 amended by this act, is filed with the commissioner. The commissioner

549 shall provide at least twenty days' notice of such hearing to the person
550 filing the statement. The person filing the statement shall (A) provide
551 at least seven days' notice of such public hearing to the insurance
552 company and to such other persons as may be designated by the
553 commissioner, (B) publish, in a manner prescribed by the
554 commissioner, notice of such hearing in a newspaper of general
555 circulation in the city of Hartford and in such other municipality as the
556 commissioner may direct, and (C) provide notice in such other manner
557 as the commissioner deems appropriate under the circumstances. If
558 any amendment to the statement is filed, the commissioner may
559 postpone the public hearing for a reasonable period not to exceed
560 thirty days after the filing of such amendment.

561 (2) The person filing the statement, the insurance company, any
562 person to whom notice of hearing was sent and any other person
563 whose interest may be affected shall have the right at the hearing to
564 present evidence, have counsel, examine and cross-examine witnesses
565 and offer oral and written argument; and in connection therewith shall
566 be entitled to conduct discovery proceedings in the same manner as is
567 prescribed by the rules for the Superior Court. All discovery
568 proceedings shall be concluded not later than three days prior to the
569 commencement of the public hearing.

570 (3) If a proposed merger or other acquisition of control under
571 section 38a-130, as amended by this act, requires the approval of any
572 other insurance regulatory official of another state, a public hearing
573 may be held on a consolidated basis at the discretion of the
574 commissioner. Such hearing shall be held within the United States
575 before the insurance regulatory officials of the states in which the
576 insurance companies are domiciled, who shall hear and receive
577 evidence. An insurance regulatory official may attend such hearing in
578 person or by telecommunication.

579 (4) The commissioner shall make a determination not later than
580 thirty days after the conclusion of the hearing whether to approve such
581 merger or other acquisition of control. If there will be a change of

582 control of a domestic insurance company, the commissioner shall
583 additionally make a determination not later than thirty days after the
584 conclusion of the hearing whether the acquiring party shall be
585 required to maintain or restore such insurance company's capital to the
586 level required under title 38a.

587 (c) All expenses incurred by the commissioner in connection with
588 the proceedings under this section, including expenses for the services
589 of any attorneys, actuaries, accountants and other experts not
590 otherwise a part of the commissioner's staff as may be reasonably
591 necessary to assist the commissioner in reviewing the proposed merger
592 or other acquisition of control shall be paid by the person filing the
593 statement required by section 38a-130, as amended by this act.

594 Sec. 5. Section 38a-133 of the general statutes is repealed and the
595 following is substituted in lieu thereof (*Effective October 1, 2012*):

596 The provisions of sections 38a-130 [, 38a-131,] and 38a-132, as
597 amended by this act, and subsection (i) of section 38a-136, as amended
598 by this act, shall not apply to [: Any] any offer, request, invitation,
599 agreement or acquisition [which] that the commissioner by order shall
600 exempt therefrom as [(A)] (1) not having been made or entered into for
601 the purpose and not having the effect of changing or influencing the
602 control of a domestic insurance company, or [(B) as] (2) otherwise not
603 comprehended within the purposes of sections 38a-129 to 38a-140,
604 inclusive, as amended by this act.

605 Sec. 6. Section 38a-135 of the general statutes is repealed and the
606 following is substituted in lieu thereof (*Effective October 1, 2012*):

607 (a) Every insurance company [which] that is authorized to do
608 business in this state and [which] is a member of an insurance holding
609 company system shall register with the commissioner on a form
610 prescribed by [him] the commissioner. Any insurance company
611 [which] that is subject to registration under this section shall register
612 [within] not later than fifteen days after it becomes subject to
613 registration, and annually thereafter by June first of each year for the

614 previous calendar year, unless the commissioner, for good cause
615 shown, extends the time for registration, in which case it shall register
616 within such extended time.

617 (b) (1) Every insurance company subject to registration shall file a
618 registration statement [which] that shall contain the following current
619 information:

620 [(1)] (A) The capital structure, general financial condition,
621 ownership and management of the insurance company and any person
622 controlling the insurance company;

623 [(2)] (B) The identity and relationship of every member of the
624 insurance holding company system;

625 [(3)] (C) The following agreements in force, and transactions
626 outstanding or [which] that have occurred during the last calendar
627 year between such insurance company and its affiliates: (i) Loans,
628 other investments, or purchases, sales or exchanges of securities of the
629 affiliates by the insurance company or of the insurance company by its
630 affiliates; (ii) purchases, sales or exchanges of assets; (iii) transactions
631 not in the ordinary course of business; (iv) guarantees or undertakings
632 for the benefit of an affiliate [which] that result in an actual contingent
633 exposure of the insurance company's assets to liability, other than
634 insurance contracts entered into in the ordinary course of the insurance
635 company's business; (v) management agreements, service contracts
636 and cost-sharing arrangements; (vi) reinsurance agreements; (vii)
637 dividends and other distributions to securityholders; and (viii)
638 consolidated tax allocation agreements;

639 [(4)] (D) Any pledge of the insurance company's stock, including
640 stock of any subsidiary or controlling affiliate, for a loan made to any
641 member of the insurance holding company system; [and]

642 (E) If requested by the commissioner, financial statements of or
643 within an insurance holding company system, including all affiliates.
644 Such statements may include, but are not limited to, annual audited

645 financial statements filed with the Securities and Exchange
646 Commission pursuant to the Securities Act of 1933, as amended from
647 time to time, or the Securities Exchange Act of 1934, as amended from
648 time to time. An insurance company required to file financial
649 statements under this subparagraph may provide the commissioner
650 with its parent corporation's financial statements that are most recently
651 filed with said commission;

652 (F) Statements that the insurance company's board of directors
653 oversees corporate governance and internal controls of such company,
654 and that such company's officers or senior management have
655 approved, implemented and continue to maintain such governance
656 and controls;

657 [(5)] (G) Other matters concerning transactions between registered
658 insurance companies and any affiliates as may be included from time
659 to time in any registration forms adopted or approved by the
660 commissioner; and

661 (H) Any other information required by regulations adopted in
662 accordance with the provisions of chapter 54.

663 [(c)] (2) All registration statements shall contain a summary
664 outlining all items in the current registration statement representing
665 changes from the prior registration statement.

666 [(d)] (c) No information need be disclosed on the registration
667 statement filed pursuant to subsection (b) of this section if such
668 information is not material for the purposes of this section. Unless the
669 commissioner by regulation or order provides otherwise, sales,
670 purchases, exchanges, loans or extensions of credit, investments, or
671 guarantees involving one-half of one per cent or less of the insurance
672 company's admitted assets as of the thirty-first day of December next
673 preceding shall not be deemed material for purposes of this section.

674 [(e)] (d) Subject to subsection (b) of section 38a-136, as amended by
675 this act, each registered insurance company shall report to the

676 commissioner all dividends and other distributions to securityholders
677 [within] not later than fifteen business days [following] after the
678 declaration thereof or such other period as the commissioner shall
679 prescribe by regulation.

680 [(f)] (e) Any person within an insurance holding company system
681 subject to registration shall be required to provide complete and
682 accurate information to an insurance company, where such
683 information is reasonably necessary to enable the insurance company
684 to comply with the provisions of sections 38a-129 to 38a-140, inclusive,
685 as amended by this act.

686 (f) (1) On June 1, 2013, and annually thereafter, the ultimate
687 controlling person of each insurance company subject to registration
688 under this section shall file an enterprise risk report in a form and
689 manner prescribed by the commissioner. Such report shall identify, to
690 the best of such person's knowledge and belief, the material risks
691 within the insurance holding company system that could pose
692 enterprise risk to the insurance company. The report shall be filed with
693 the lead state commissioner as determined by the procedures in
694 NAIC's applicable financial analysis handbook. Such report shall (A)
695 be confidential by law and privileged, (B) not be subject to disclosure
696 under section 1-210, (C) not be subject to subpoena, and (D) not be
697 subject to discovery or admissible in any civil action. The
698 commissioner shall not make such report public without the prior
699 written consent of the ultimate controlling person that filed such report
700 unless the commissioner, after giving the ultimate controlling person
701 and the insurance company to which such report pertains and its
702 affiliates within the insurance holding company system who would be
703 affected thereby notice and opportunity to be heard, determines that
704 the interests of policyholders, securityholders or the public will be
705 served by the publication thereof, in which event the commissioner
706 may publish all or any part thereof in such manner as the
707 commissioner may deem appropriate. The commissioner may use such
708 report in the furtherance of any regulatory or legal action brought as
709 part of the commissioner's official duties.

710 (2) The commissioner may share the enterprise risk report only with
711 the insurance regulatory official of another state with laws or
712 regulations substantially similar to subsection (a) of section 38a-137, as
713 amended by this act, and who has agreed, in writing, to maintain the
714 confidentiality and privileged status of such report.

715 (g) The commissioner shall terminate the registration of any
716 insurance company [which] that demonstrates that it no longer is a
717 member of an insurance holding company system.

718 (h) The commissioner may require or allow two or more affiliated
719 insurance companies subject to registration hereunder to file a
720 consolidated registration statement.

721 (i) The commissioner may allow an insurance company [which] that
722 is authorized to do business in this state and [which] is part of an
723 insurance holding company system to register on behalf of any
724 affiliated insurer [which] that is required to register under subsection
725 (a) of this section and to file all information and materials required to
726 be filed under this section.

727 (j) Any person may file with the commissioner a disclaimer of
728 affiliation with any insurance company and any insurance company
729 may file a disclaimer of affiliation with any other person. The
730 disclaimer shall fully disclose all material relationships and bases for
731 affiliation between such person and such insurance company as well as
732 the basis for disclaiming such affiliation. After a disclaimer has been
733 filed, the insurance company shall be relieved of any duty to register
734 or report under this section [which] that may arise out of the insurance
735 company's relationship with such person unless [and until] the
736 commissioner disallows such disclaimer. The commissioner shall
737 disallow such disclaimer only after furnishing all parties in interest
738 with notice and an opportunity to be heard, and after making specific
739 findings of fact to support such disallowance.

740 (k) The failure to file a registration statement or any amendment,
741 [or] addition thereto or summary or an enterprise risk report required

742 by this section within the time specified for such filing shall be a
743 violation of sections 38a-129 to 38a-140, inclusive, as amended by this
744 act.

745 (l) The commissioner may by regulation or order exempt any
746 insurance company or class of insurance companies from registration
747 under this section if, in [his] the commissioner's judgment, registration
748 by such company or class of companies is not necessary to effectuate
749 the purposes of said sections.

750 (m) A foreign or alien insurer shall not be required to register
751 pursuant to this section if it is (1) subject to disclosure requirements
752 and standards adopted by statute or regulation in the jurisdiction of its
753 domicile [which] that are substantially similar to those contained in
754 this section and subsections (a), (b), (f) and (g) of section 38a-136, as
755 amended by this act, or [if it is] (2) admitted in the domiciliary
756 jurisdiction of the principal insurer in its holding company system and
757 in said jurisdiction is subject to disclosure requirements and standards
758 adopted by statute or regulation [which] that are substantially similar
759 to those contained in this section and subsections (a), (b), (f) and (g) of
760 section 38a-136, as amended by this act. The commissioner may require
761 any authorized insurer [which] that is a member of a holding company
762 system [which is] not subject to registration under this section to
763 furnish a copy of the registration statement or other information filed
764 by such insurance company with the insurance regulatory authority of
765 its domicile or the domicile of the principal insurer in its holding
766 company system, as the case may be.

767 (n) (1) To assess the business strategy, financial, legal or regulatory
768 position risk exposure, risk management or governance processes of a
769 domestic insurance company registered under this section that is part
770 of an insurance holding company system that has international
771 operations, and as part of the examination pursuant to section 38a-14a,
772 as amended by this act, of such insurance company, the commissioner
773 may initiate, be a member of or participate in a supervisory college,
774 which shall be a temporary or permanent forum for communication

775 between and cooperation among state, federal and international
776 regulatory officials.

777 (2) If the commissioner initiates a supervisory college, the
778 commissioner shall (A) establish the membership of, and participation
779 by state, federal or international regulatory officials in, such
780 supervisory college, (B) establish the functions of the supervisory
781 college and the role of members and participants, and select a
782 chairperson for such supervisory college, (C) coordinate the activities
783 of the supervisory college, including meeting planning and processes
784 for information sharing that comply with the applicable confidentiality
785 provisions set forth in section 38a-137, as amended by this act, and (D)
786 establish a crisis management plan for such supervisory college.

787 (3) The commissioner may enter into written agreements with state,
788 federal or international regulatory officials for the governing of the
789 activities of a supervisory college. Any such agreements shall maintain
790 the confidentiality requirements under section 38a-137, as amended by
791 this act.

792 (4) Each insurance company subject to registration under this
793 section shall be assessed for and shall pay to the commissioner its
794 share of the reasonable costs, including reasonable travel expenses, of
795 the commissioner's participation in a supervisory college. Such
796 payment shall be in addition to any other taxes, fees and moneys
797 otherwise payable to the state. The commissioner shall establish the
798 assessment method for such costs and provide reasonable notice to
799 each insurance company subject to any such assessment.

800 (5) Nothing in this subsection shall be construed to limit the
801 authority of the commissioner to regulate an insurance company or its
802 affiliate under the commissioner's jurisdiction or to delegate any
803 regulatory authority of the commissioner to a supervisory college.

804 Sec. 7. Section 38a-136 of the general statutes is repealed and the
805 following is substituted in lieu thereof (*Effective October 1, 2012*):

806 (a) Transactions within [a] an insurance holding company system to
807 which an insurance company subject to registration under section 38a-
808 135, as amended by this act, is a party shall be subject to the following
809 requirements: (1) The terms shall be fair and reasonable; (2) charges or
810 fees for services performed shall be reasonable; (3) expenses incurred
811 and payment received shall be allocated to the insurance company in
812 conformity with customary insurance accounting practices consistently
813 applied; (4) the books, accounts and records of each party shall be so
814 maintained as to clearly and accurately disclose the precise nature and
815 details of the transactions, including such accounting information as is
816 necessary to support the reasonableness of the charges or fees to the
817 respective parties; [and] (5) the insurance company's surplus shall be
818 reasonable in relation to such company's outstanding liabilities and
819 adequate to its financial needs; and (6) agreements for cost-sharing
820 services and management shall include such provisions as may be
821 required by regulations adopted by the commissioner.

822 (b) (1) The following transactions involving a domestic insurance
823 company and any person in its holding company system, including
824 amendments to or modifications of affiliate agreements previously
825 filed pursuant to this section and that are subject to any materiality
826 standards specified in subparagraphs (A) to (G), inclusive, of this
827 subdivision, may not be entered into unless the insurance company
828 has notified the commissioner in writing of its intention to enter into
829 such transaction at least thirty days prior thereto, or such shorter
830 period as the commissioner may permit, and the commissioner [either]
831 has approved or not disapproved it within such period. The written
832 notice for such amendments or modifications shall specify the reasons
833 for the change and the financial impact on the domestic insurance
834 company. Not later than thirty days after the termination of a
835 previously filed agreement, the domestic insurance company shall
836 notify the commissioner of such termination for the commissioner's
837 determination of what written notice or filing shall be required, if any:

838 [(1)] (A) Sales, purchases, exchanges, loans or extensions of credit,
839 [guarantee] or investments, provided such transactions are equal to or

840 exceed: [(A)] (i) With respect to nonlife insurance companies, the lesser
841 of three per cent of the insurance company's admitted assets or twenty-
842 five per cent of surplus; or [(B)] (ii) with respect to life insurance
843 companies, three per cent of the insurance company's admitted assets;
844 each as of the thirty-first day of December next preceding;

845 [(2)] (B) Loans or extensions of credit to any person who is not an
846 affiliate, where the insurance company makes such loans or extensions
847 of credit with the agreement or understanding that the proceeds of
848 such transactions, in whole or in substantial part, are to be used to
849 make loans or extensions of credit to, to purchase assets of, or to make
850 investments in, any affiliate of the insurance company making such
851 loans or extensions of credit, provided such transactions are equal to or
852 exceed: [(A)] (i) With respect to nonlife insurance companies, the lesser
853 of three per cent of the insurance company's admitted assets or twenty-
854 five per cent of surplus; or [(B)] (ii) with respect to life insurance
855 companies, three per cent of the insurance company's admitted assets;
856 each as of the thirty-first day of December next preceding;

857 [(3)] (C) Reinsurance agreements or modifications thereto, including
858 (i) all reinsurance pooling agreements, and (ii) agreements in which
859 the reinsurance premium or a change in the insurance company's
860 liabilities equals or exceeds five per cent of the insurance company's
861 surplus, as of the thirty-first day of December next preceding,
862 including those agreements [which] that may require as consideration
863 the transfer of assets from an insurance company to a nonaffiliate, if an
864 agreement or understanding exists between the insurance company
865 and nonaffiliate that any portion of such assets will be transferred to
866 one or more affiliates of the insurance company;

867 [(4)] (D) All [material] management agreements, service contracts
868 and cost-sharing arrangements; [and]

869 (E) Guarantees by a domestic insurance company, except that a
870 guarantee that is (i) quantifiable as to amount, and (ii) does not exceed
871 the lesser of one-half of one per cent of the insurance company's
872 admitted assets or ten per cent of surplus with regard to policyholders,

873 as of the thirty-first day of December next preceding, shall not be
874 subject to the notice requirement of this subsection;

875 (F) Direct or indirect acquisitions or investments in a person that
876 controls the domestic insurance company or in an affiliate of the
877 insurance company in an amount that, together with the insurance
878 company's present holdings in such investments, exceeds two and one-
879 half per cent of the insurance company's surplus with regard to
880 policyholders. This subsection shall not apply to direct or indirect
881 acquisitions of or investments in (i) subsidiaries acquired pursuant to
882 section 38a-102d or authorized pursuant to any section of this title
883 other than sections 38a-129 to 38a-140, inclusive, as amended by this
884 act, or (ii) nonsubsidiary affiliates that are subject to the provisions of
885 sections 38a-129 to 38a-140, inclusive, as amended by this act; and

886 [(5)] (G) Any material transactions, specified by regulation, [which]
887 that the commissioner determines may adversely affect the interests of
888 the insurance company's policyholders.

889 (2) Nothing contained in this section shall be deemed to authorize or
890 permit any transactions [which] that, in the case of an insurance
891 company not a member of the same insurance holding company
892 system, would be otherwise contrary to law.

893 (c) A domestic insurance company may not enter into transactions
894 [which] that are part of a plan or series of like transactions with
895 persons within the insurance holding company system if the purpose
896 of those separate transactions is to avoid the statutory threshold
897 amount and thus avoid the review that would otherwise occur. If the
898 commissioner determines that such separate transactions were entered
899 into over any twelve-month period for such purpose, the
900 commissioner may exercise authority under section 38a-140, as
901 amended by this act.

902 (d) The commissioner, in reviewing transactions pursuant to
903 subsection (b) of this section, shall consider whether the transactions
904 comply with the standards set forth in subsection (a) of this section

905 and whether they may adversely affect the interests of policyholders.

906 (e) Except as may be exempted pursuant to regulations adopted, in
907 accordance with the provisions of chapter 54, by the commissioner or
908 otherwise waived by the commissioner, the commissioner shall be
909 notified [within] not later than thirty days [of] after any material
910 investment of the domestic insurance company in any one corporation
911 if the total investment in such corporation by [the] such insurance
912 [company] company's insurance holding company system exceeds ten
913 per cent of such corporation's voting securities.

914 (f) (1) No insurance company subject to registration under section
915 38a-135, as amended by this act, shall pay any extraordinary dividend
916 or make any other extraordinary distribution to its stockholders until
917 the commissioner has approved such payment or until thirty days after
918 the commissioner has received notice from such company of the
919 declaration thereof within which period the commissioner has not
920 disapproved such payment, whichever is sooner. For the purposes of
921 this subsection, an extraordinary dividend or distribution is any
922 dividend or distribution of cash or other property, whose fair market
923 value together with that of other dividends or distributions made
924 within the preceding twelve months, exceeds the greater of [(1)] (A)
925 ten per cent of such insurance company's surplus as of the thirty-first
926 day of December last preceding, or [(2)] (B) the net gain from
927 operations of such insurance company, if such company is a life
928 insurance company, or the net income, if such company is not a life
929 insurance company, for the twelve-month period ending the thirty-
930 first day of December last preceding, but shall not include pro rata
931 distributions of any class of the insurance company's own securities.

932 (2) Notwithstanding any other provision of law, an insurance
933 company may declare an extraordinary dividend or distribution
934 [which] that is conditional upon the commissioner's approval thereof,
935 but such a declaration shall confer no rights upon stockholders until
936 [(1)] (A) the commissioner has approved the payment of such dividend
937 or distribution, or [(2) thirty days have elapsed without the

938 commissioner's disapproval thereof as provided in this subsection] (B)
939 until thirty days after such declaration thereof within which period the
940 commissioner has not disapproved such declaration, whichever is
941 sooner.

942 (g) For purposes of sections 38a-129 to 38a-140, inclusive, as
943 amended by this act, in determining whether an insurance company's
944 surplus is reasonable in relation to the insurance company's
945 outstanding liabilities and adequate to its financial needs, the
946 following factors, in addition to others, shall be considered: (1) The
947 size of the insurance company as measured by its assets, capital and
948 surplus, reserves, premium writings, insurance in force and other
949 appropriate criteria; (2) the extent to which the insurance company's
950 business is diversified among the several lines of insurance; (3) the
951 number and size of risks insured in each line of business; (4) the nature
952 of the geographical dispersion of the insurance company's insured
953 risks; (5) the nature and extent of the insurance company's reinsurance
954 program; (6) the quality, diversification and liquidity of the insurance
955 company's investment portfolio; (7) the recent past and projected
956 future trend in the size of the insurance company's surplus; (8) the
957 surplus maintained by other comparable insurance companies; (9) the
958 adequacy of the insurance company's reserves; (10) the quality of the
959 company's earnings and the extent to which the reported earnings
960 include extraordinary items; and (11) the quality and liquidity of
961 investments in affiliates. The commissioner may discount any such
962 investment or treat any such investment as a disallowed asset for
963 purposes of determining the adequacy of surplus whenever, in the
964 commissioner's judgment, such investment warrants.

965 (h) (1) Any domestic insurance company [which] that is affiliated
966 with an insurance holding company system shall report for
967 informational purposes to the Insurance Commissioner all dividends
968 and other distributions to securityholders, [within] not later than five
969 business days [following] after the declaration and at least ten days,
970 commencing from the date of receipt by the Insurance Department,
971 prior to payment thereof.

972 (2) No dividend or other distribution may be paid when the surplus
973 of the insurance company is less than the surplus required by section
974 38a-72 for the kind or kinds of business authorized to be transacted by
975 such company, nor when the payment of a dividend or other
976 distribution would reduce its surplus to less than such amount.

977 (3) Except as otherwise provided by law, no dividend or other
978 distribution exceeding an amount equal to an insurance company's
979 earned surplus may be paid without the Insurance Commissioner's
980 prior approval. For purposes of this subsection, "earned surplus"
981 means "unassigned funds-surplus", as defined in the annual report of
982 the insurance company [which] that was most recently submitted
983 pursuant to section 38a-53, reduced by twenty-five per cent of
984 unrealized appreciation in value or revaluation of assets or unrealized
985 profits on investments, as defined in such report.

986 (i) (1) [Any] The commissioner may require a domestic insurance
987 company of which control has been acquired pursuant to section 38a-
988 130, as amended by this act, [shall be required] to submit to a financial
989 examination and a market conduct examination within thirty days
990 after such acquisition in accordance with procedures set forth by [the]
991 NAIC's examiner's handbook [of the National Association of Insurance
992 Commissioners] and such regulations as the commissioner may adopt.

993 (2) No domestic insurance company of which control has been
994 acquired pursuant to section 38a-130, as amended by this act, shall,
995 without the prior approval of the commissioner: (A) Pay or propose to
996 pay any dividend during the period of two years from the date of
997 acquisition of control of such insurance company; (B) acquire or enter
998 into an agreement or understanding to acquire control, during the
999 period of three years after the date of acquisition of control of such
1000 insurance company, of any other person or persons whose assets
1001 exceed twenty-five million dollars; (C) provide or propose to provide
1002 directly or indirectly, during the period of three years after the date of
1003 acquisition of control of such insurance company, any loans, advances,
1004 guarantees, pledges or other financial assistance; or (D) engage in any

1005 material transaction with any person during the period of three years
1006 after the date of acquisition of such insurance company. For purposes
1007 of this subsection, a "material transaction" shall include, but not be
1008 limited to, any transfer or encumbrance of assets not in the ordinary
1009 course of business [which] that, together with all other transfers or
1010 encumbrances made within the preceding twelve months, exceeds in
1011 value the greater of (i) ten per cent of such insurance company's
1012 surplus as of the December thirty-first last preceding, or (ii) the net
1013 gain from operations of such insurance company, if such company is a
1014 life insurance company, or the net investment income of such
1015 company, if such company is not a life insurance company, for the
1016 twelve-month period ending the December thirty-first last preceding.

1017 (3) The commissioner shall, upon a written request from the
1018 controlled domestic insurance company and, upon public hearing after
1019 notice to all interested parties, determine whether any limitations
1020 contained in subdivision (2) of this subsection shall be continued, or
1021 whether and on what conditions they may be waived. Such
1022 determination shall be predicated on the results of the examinations
1023 [provided in] under subdivision (1) of this subsection and such further
1024 examinations, if any, the commissioner may require concerning the
1025 adequacy of the insurance company's reserves, the effect any proposed
1026 transaction will have on the insurance company's surplus, its cash flow
1027 needs and its ability to satisfy any reasonably anticipated obligations
1028 in the foreseeable future, and any other effect the proposed transaction
1029 would have on the financial stability or solvency of the insurance
1030 company and the quality and liquidity of its assets. All fees and
1031 expenses relating to such examinations shall be paid by the insurance
1032 company.

1033 (4) Nothing in this subsection shall be interpreted to prohibit any
1034 transactions between a domestic insurance company and any of its
1035 subsidiaries in the ordinary course of business.

1036 Sec. 8. Section 38a-137 of the general statutes is repealed and the
1037 following is substituted in lieu thereof (*Effective October 1, 2012*):

1038 (a) All information, documents, materials and copies thereof
1039 obtained by or disclosed to the commissioner or any other person in
1040 the course of an examination or investigation made pursuant to section
1041 38a-14a, as amended by this act, and all information reported,
1042 furnished or filed pursuant to sections 38a-135 and 38a-136, as
1043 amended by this act, shall (1) be [given] confidential [treatment] by
1044 law and [shall] privileged, (2) not be subject to disclosure under section
1045 1-210, (3) not be subject to subpoena, and [shall] (4) not be [made
1046 public by the commissioner, the National Association of Insurance
1047 Commissioners, or any other person, except to insurance departments
1048 of other states,] subject to discovery or admissible in evidence in any
1049 civil action. The commissioner shall not make such information,
1050 documents, materials or copies public without the prior written
1051 consent of the insurance company to which it pertains unless the
1052 commissioner, after giving the insurance company and its affiliates
1053 who would be affected thereby notice and opportunity to be heard,
1054 determines that the interests of policyholders, securityholders or the
1055 public will be served by the publication thereof, in which event [he]
1056 the commissioner may publish all or any part thereof in such manner
1057 as [he] the commissioner may deem appropriate. The commissioner
1058 may use such information, documents, materials or copies in the
1059 furtherance of any regulatory or legal action brought as part of the
1060 commissioner's official duties.

1061 (b) Neither the commissioner nor any person who receives
1062 information, documents, materials or copies as set forth in subsection
1063 (a) of this section or with whom such information, documents,
1064 materials or copies are shared, while acting under the authority of the
1065 commissioner, shall testify or be required to testify in any civil action
1066 concerning such information, documents, materials or copies.

1067 (c) Except as specified in subdivision (2) of subsection (f) of section
1068 38a-135, as amended by this act, to assist the commissioner in the
1069 performance of the commissioner's duties, the commissioner may:

1070 (1) Share information, documents, materials or copies thereof,

1071 including information, documents, materials or copies deemed
1072 confidential and privileged pursuant to subsection (a) of this section,
1073 with (A) other state, federal and international regulatory officials, (B)
1074 NAIC or its affiliate or subsidiaries, (C) the International Association of
1075 Insurance Supervisors, (D) the Bank for International Settlements, (E)
1076 the Federal Insurance Office, (F) state, federal and international law
1077 enforcement authorities, and (G) members or participants of a
1078 supervisory college, as described in subsection (n) of section 38a-135,
1079 as amended by this act, of which the commissioner is a member or a
1080 participant, provided the recipient of any such information,
1081 documents, materials or copies agrees, in writing, to maintain the
1082 confidentiality and privileged status of such information, documents,
1083 materials and copies, and has verified, in writing, the recipient's legal
1084 authority to maintain confidentiality;

1085 (2) Receive information, documents, materials or copies thereof,
1086 including confidential and privileged information, documents,
1087 materials or copies, from NAIC or its affiliates or subsidiaries, the
1088 International Association of Insurance Supervisors, the Bank for
1089 International Settlements, the Federal Insurance Office, or state, federal
1090 and international law enforcement authorities. The commissioner shall
1091 maintain as confidential and privileged any information, documents,
1092 materials or copies received with notice or the understanding that such
1093 information, documents, materials or copies are confidential and
1094 privileged under the laws of the jurisdiction that is the source of such
1095 information, documents, materials or copies; and

1096 (3) Enter into written agreements consistent with this subsection
1097 with NAIC, the International Association of Insurance Supervisors or
1098 the Bank for International Settlements governing the sharing and use
1099 of information, documents, materials or copies thereof shared or
1100 received pursuant to sections 38a-129 to 38a-140, inclusive, as amended
1101 by this act. Any such agreement shall (A) specify the procedures and
1102 protocols regarding the confidentiality and security of information
1103 shared (i) with NAIC or its affiliates or subsidiaries, the International
1104 Association of Insurance Supervisors or the Bank for International

1105 Settlements pursuant to sections 38a-129 to 38a-140, inclusive, as
1106 amended by this act, and (ii) by NAIC or its affiliates or subsidiaries,
1107 the International Association of Insurance Supervisors or the Bank for
1108 International Settlements with other state, federal or international
1109 regulatory officials, (B) specify that the commissioner shall retain
1110 ownership of such information and that the use of such information by
1111 NAIC or its affiliates or subsidiaries, the International Association of
1112 Insurance Supervisors or the Bank for International Settlements is
1113 subject to the commissioner's discretion, (C) require prompt notice to
1114 be given to an insurance company whose confidential information is in
1115 the possession of NAIC or its affiliates or subsidiaries, the
1116 International Association of Insurance Supervisors or the Bank for
1117 International Settlements, if NAIC or its affiliates or subsidiaries, the
1118 International Association of Insurance Supervisors or the Bank for
1119 International Settlements is subject to a request or subpoena for
1120 disclosure or production of such information, and (D) require NAIC or
1121 its affiliates or subsidiaries, the International Association of Insurance
1122 Supervisors or the Bank for International Settlements, if any said entity
1123 or such affiliate or subsidiary is subject to disclosure of an insurance
1124 company's confidential information that has been shared with said
1125 entity or such affiliate or subsidiary, to allow such insurance company
1126 to intervene in any judicial or administrative action regarding such
1127 disclosure or information.

1128 (d) No waiver of any applicable privilege or claim of confidentiality
1129 in any information, documents, materials or copies thereof shall occur
1130 as a result of disclosure to the commissioner or of sharing in
1131 accordance with this section. Nothing in this section shall be construed
1132 to delegate any regulatory authority of the commissioner to any person
1133 or entity with which any information, documents, materials or copies
1134 thereof have been shared.

1135 (e) Any information, documents, materials or copies thereof in the
1136 possession of NAIC or its affiliates or subsidiaries, the International
1137 Association of Insurance Supervisors or the Bank for International
1138 Settlements pursuant to this section shall be confidential by law and

1139 privileged and shall not be subject to discovery or admissible in
1140 evidence in any civil action in this state.

1141 Sec. 9. Section 38a-138 of the general statutes is repealed and the
1142 following is substituted in lieu thereof (*Effective October 1, 2012*):

1143 The commissioner may, after a public hearing called for the
1144 purpose, notice of which hearing shall be published in the Connecticut
1145 Law Journal at least thirty days prior to the date of such hearing,
1146 promulgate such regulations, in accordance with chapter 54, as shall be
1147 necessary to carry out the provisions of sections 38a-129 to 38a-140,
1148 inclusive, as amended by this act.

1149 Sec. 10. Section 38a-140 of the general statutes is repealed and the
1150 following is substituted in lieu thereof (*Effective October 1, 2012*):

1151 (a) (1) Whenever it appears to the commissioner that any insurance
1152 company or any director, officer, employee or agent thereof has
1153 committed or is about to commit a violation of sections 38a-129 to 38a-
1154 140, inclusive, as amended by this act, or of any regulation or order
1155 issued by the commissioner hereunder, the commissioner may apply
1156 to the superior court or any judge thereof for the judicial district in
1157 which the principal office of the insurance company is located or, if
1158 such insurance company has no such office in this state, to the superior
1159 court or any judge thereof for the judicial district of Hartford, for an
1160 order enjoining such insurance company or such director, officer,
1161 employee or agent thereof from violating or continuing to violate said
1162 sections or any such regulation or order, and for such other equitable
1163 relief as the nature of the case and the interests of the insurance
1164 company's policyholders, creditors and securityholders or the public
1165 may require.

1166 (2) No security [which] that is the subject of any agreement or
1167 arrangement regarding acquisition, or [which] that is acquired or to be
1168 acquired, in contravention of the provisions of sections 38a-129 to 38a-
1169 140, inclusive, as amended by this act, or of any regulation or order
1170 issued by the commissioner hereunder may be voted at any

1171 shareholders' meeting, or may be counted for quorum purposes, and
1172 any action of shareholders requiring the affirmative vote of a
1173 percentage of shares may be taken as though such securities were not
1174 issued and outstanding; but no action taken at any such meeting shall
1175 be invalidated by the voting of such securities, unless the action would
1176 materially affect control of the insurer or unless the courts of this state
1177 have so ordered. If an insurer or the commissioner has reason to
1178 believe that any security of the insurer has been or is about to be
1179 acquired in contravention of the provisions of sections 38a-129 to 38a-
1180 140, inclusive, as amended by this act, or of any regulation or order
1181 issued by the commissioner hereunder, the insurer or the
1182 commissioner may apply to the superior court or any judge thereof for
1183 the judicial district of Hartford, to enjoin any offer, request, invitation,
1184 agreement or acquisition made in contravention of sections 38a-129 to
1185 38a-140, inclusive, as amended by this act, or any regulation or order
1186 issued by the commissioner thereunder to enjoin the voting of any
1187 security so acquired, to void any vote of such security already cast at
1188 any meeting of shareholders and for such other equitable relief as the
1189 nature of the case and the interest of the insurer's policyholders,
1190 creditors and shareholders or the public may require.

1191 (3) In any case where a person has acquired or is proposing to
1192 acquire any voting securities in violation of sections 38a-129 to 38a-140,
1193 inclusive, as amended by this act, or any regulation or order issued by
1194 the commissioner hereunder, the superior court for the judicial district
1195 of Hartford, on notice as the court deems appropriate, upon
1196 application of the insurer or the commissioner, may seize or sequester
1197 any voting securities of the insurer owned directly or indirectly by the
1198 person, and issue the order with respect thereto as may be appropriate
1199 to effectuate the purposes of sections 38a-129 to 38a-140, inclusive, as
1200 amended by this act.

1201 (4) Notwithstanding any other provisions of law, for the purposes of
1202 sections 38a-129 to 38a-140, inclusive, as amended by this act, the situs
1203 of the ownership of the securities of domestic insurers shall be deemed
1204 to be in this state.

1205 (b) Whenever it appears to the commissioner that any person has
1206 committed a violation of sections 38a-129 to 38a-140, inclusive, as
1207 amended by this act, [which] that so impairs the financial condition of
1208 a domestic insurance company as to threaten insolvency or make the
1209 further transaction of business by it hazardous to its policyholders,
1210 creditors, securityholders or the public, the commissioner may proceed
1211 as provided in section 38a-18 to take possession of the property of such
1212 domestic insurance company and to conduct the business thereof.

1213 (c) (1) Whenever it appears to the commissioner that any insurance
1214 company or any director, officer, employee or agent thereof has
1215 committed a wilful violation of sections 38a-129 to 38a-140, inclusive,
1216 as amended by this act, the commissioner may cause criminal
1217 proceedings to be instituted by the state's attorney for the judicial
1218 district in which the principal office of the insurance company is
1219 located or, if such insurance company has no such office in the state,
1220 by the state's attorney for the judicial district of Hartford against such
1221 insurance company or the responsible director, officer, employee or
1222 agent thereof. Any insurance company that wilfully violates said
1223 sections shall be fined not more than fifty thousand dollars. Any
1224 individual who wilfully violates said sections shall be fined not more
1225 than fifteen thousand dollars or, if such wilful violation involves the
1226 deliberate perpetration of a fraud upon the commissioner, shall be
1227 imprisoned not more than two years or so fined or both.

1228 (2) Any officer, director or employee of an insurance holding
1229 company system who wilfully and knowingly subscribes to or makes
1230 or causes to be made any false statement or false report or false filing
1231 with the intent to deceive the commissioner in the performance of his
1232 or her duties under sections 38a-129 to 38a-140, inclusive, as amended
1233 by this act, upon conviction thereof, shall be imprisoned not more than
1234 five years or fined not more than fifty thousand dollars or both. Any
1235 fines imposed shall be paid by the officer, director or employee in his
1236 or her individual capacity.

1237 (d) (1) Whenever it appears to the commissioner that any person has

1238 committed a violation of sections 38a-129 to 38a-140, inclusive, as
1239 amended by this act, that makes the continued operation of an
1240 insurance company contrary to the interests of its policyholders or the
1241 public, the commissioner may, after giving notice and an opportunity
1242 to be heard, suspend, revoke or refuse to renew such insurance
1243 company's license or authority to do business in this state for such
1244 period as [he] the commissioner finds is required for the protection of
1245 its policyholders or the public.

1246 (2) Whenever it appears to the commissioner that any person has
1247 committed a violation of sections 38a-129 to 38a-140, inclusive, as
1248 amended by this act, that prevents the full understanding of the
1249 enterprise risk posed by an insurer's insurance holding company
1250 system or an insurer's affiliate to such insurer, the commissioner may
1251 disapprove dividends and other distributions and place such insurer
1252 under administrative supervision in accordance with sections 38a-962
1253 to 38a-962j, inclusive.

1254 (e) Any insurance company failing, without just cause, to file any
1255 registration statement as required in section 38a-135, as amended by
1256 this act, shall be [required] fined, after notice and hearing, [to pay a
1257 penalty of] one hundred fifty dollars for each day's delay, to be
1258 [recovered by the commissioner, and the penalty so recovered shall be]
1259 paid into the Insurance Fund established under section 38a-52a. The
1260 maximum penalty under this section shall be fifteen thousand dollars.
1261 The commissioner may reduce the penalty if the insurance company
1262 demonstrates to the commissioner that the imposition of the penalty
1263 would constitute a hardship to the insurance company.

1264 (f) Each director or officer of any insurance holding company
1265 system who wilfully and knowingly violates, participates in, or assents
1266 to, or who wilfully and knowingly permits any of the officers or agents
1267 of the insurance company to engage in transactions or make
1268 investments that have not been properly reported or submitted
1269 pursuant to section 38a-135 or 38a-136, as amended by this act, or that
1270 violate sections 38a-129 to 38a-140, inclusive, as amended by this act,

1271 shall pay, in their individual capacity, a civil forfeiture of not more
1272 than seven thousand five hundred dollars per violation, after notice
1273 and hearing before the commissioner. Any civil forfeiture so recovered
1274 shall be paid into the Insurance Fund as established under section 38a-
1275 52a. In determining the amount of the civil forfeiture, the
1276 commissioner shall take into account the appropriateness of the
1277 forfeiture with respect to the gravity of the violation, the history of
1278 previous violations, and such other matters as the commissioner
1279 deems necessary.

1280 (g) Whenever it appears to the commissioner that any insurance
1281 company subject to sections 38a-129 to 38a-140, inclusive, as amended
1282 by this act, or any director, officer, employee or agent thereof has
1283 engaged in any transaction or entered into a contract [which] that is
1284 subject to section 38a-136, as amended by this act, and [which] that
1285 would not have been approved had such approval been requested, the
1286 commissioner may order the insurance company to cease and desist
1287 immediately any further activity under [that] such transaction or
1288 contract. After notice and hearing, the commissioner may also order
1289 the insurance company to void any such contracts and restore the
1290 status quo if such action is in the best interests of the policyholders,
1291 creditors or the public.

1292 (h) If any person required to file an information statement under
1293 subsection [(c)] (b) of section 38a-130, as amended by this act, or any
1294 required amendment thereto has (1) failed to do so within the
1295 prescribed time, [or] (2) files a false or misleading information
1296 statement or amendment thereto, [or] (3) obstructed the conduct of any
1297 hearing required by the commissioner, or (4) consummated a change
1298 of control of the domestic insurance company in the absence of a
1299 determination by the commissioner that such change of control would
1300 not be prejudicial to the interest of its policyholders, the commissioner
1301 [,] and any interested party, including the domestic insurance
1302 company, may apply to the superior court for the judicial district of
1303 Hartford or to the superior court for the judicial district in which the
1304 domestic insurance company has its principal place of business, or to

1305 any judge thereof, for any injunctive or other relief necessary to
1306 remedy any such act or failure to act. Such relief may include an
1307 injunction prohibiting any consummation of the change of control
1308 until such act or failure to act is remedied. In addition, the
1309 commissioner may proceed under section 38a-912 for an order
1310 permitting [him] the commissioner to take possession and control of
1311 the property and affairs of the domestic insurance company in
1312 accordance with the provisions of said section 38a-912.

1313 Sec. 11. Section 38a-14a of the general statutes is repealed and the
1314 following is substituted in lieu thereof (*Effective October 1, 2012*):

1315 (a) [Subject] With regard to any insurance company registered
1316 under section 38a-135, as amended by this act, subject to the limitation
1317 contained in this section and in addition to the powers [which] that the
1318 Insurance Commissioner has under sections 38a-14 and 38a-15 relating
1319 to the examination of insurance companies, the commissioner shall
1320 have the power to: [order any insurance company registered under
1321 section 38a-135]

1322 (1) Examine such company or its affiliates to ascertain the financial
1323 condition of the company, including the enterprise risk of such
1324 company by (A) the company's ultimate controlling person, (B) any
1325 member or combination of members within its insurance holding
1326 company system, or (C) its insurance holding company system on a
1327 consolidated basis; and

1328 (2) (A) Order such company to produce such records, books or other
1329 information in the possession of the insurance company or its affiliates
1330 as are reasonably necessary to [ascertain the financial condition of such
1331 insurance company or to] determine compliance with sections 38a-129
1332 to 38a-140, inclusive, as amended by this act. In the event such
1333 insurance company fails to comply with such order, the commissioner
1334 shall have the power to examine any such affiliate to obtain such
1335 information.

1336 (B) The commissioner may order the registered insurance company

1337 to produce records, books or other information not in its possession if
 1338 the company can obtain access to such records, books or other
 1339 information pursuant to a contractual agreement, a statutory
 1340 obligation or other method. If the insurance company can not obtain
 1341 access to such records, books or other information, the company shall
 1342 provide to the commissioner a detailed explanation of the reason the
 1343 company can not obtain the requested records, books or other
 1344 information, and the identity of the holder of such records, books or
 1345 other information. If the commissioner deems the explanation to be
 1346 without merit, the delay in producing the requested records, books or
 1347 other information under this subparagraph shall be grounds for
 1348 administrative action in accordance with subsection (c) of section 38a-
 1349 41.

1350 (b) The commissioner may engage the services of attorneys,
 1351 actuaries, accountants and other experts not otherwise a part of the
 1352 commissioner's staff, at the registered insurance company's expense, as
 1353 shall be reasonably necessary to assist in the conduct of the
 1354 examination under subsection (a) of this section. All persons so
 1355 engaged shall be under the direction and control of the commissioner
 1356 and shall act in a purely advisory capacity.

1357 (c) Each registered insurance company producing for examination
 1358 records, books and papers pursuant to subsection (a) of this section
 1359 shall be liable for and shall pay the expense of such examination in
 1360 accordance with sections 38a-14 and 38a-15.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2012	38a-129
Sec. 2	October 1, 2012	38a-130
Sec. 3	October 1, 2012	38a-131
Sec. 4	October 1, 2012	38a-132
Sec. 5	October 1, 2012	38a-133
Sec. 6	October 1, 2012	38a-135
Sec. 7	October 1, 2012	38a-136
Sec. 8	October 1, 2012	38a-137

Sec. 9	<i>October 1, 2012</i>	38a-138
Sec. 10	<i>October 1, 2012</i>	38a-140
Sec. 11	<i>October 1, 2012</i>	38a-14a

INS *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note***State Impact:*** None***Municipal Impact:*** None***Explanation***

The bill makes a variety of changes to the statutes concerning the oversight of insurance holding companies. There is no state or municipal fiscal impact.

The Out Years***State Impact:*** None***Municipal Impact:*** None

OLR Bill Analysis**sSB 411*****AN ACT CONCERNING THE INSURANCE HOLDING COMPANY SYSTEM REGULATORY ACT.*****SUMMARY:**

This bill expands the scope of the Insurance Department's review when a domestic (Connecticut) insurance company is the subject of a proposed merger or other change of control. The bill requires, in most cases, a party seeking to acquire the company to file a pre-acquisition notification with the commissioner. It establishes a waiting period after the acquiring party files this notification.

The bill expands the information that must be included on the application required by current law for the department's review of these transactions. It makes changes in the procedures for reviewing these transactions and the criteria the commissioner must use in determining whether to approve a transaction. The bill requires the commissioner to evaluate whether the proposed acquisition will (1) substantially reduce competition in any insurance line in the state or (2) tend to create a monopoly in the state. In making this evaluation, he must consider the percentages of market share the involved insurers possess and the markets where they compete. The bill allows the commissioner to issue orders in connection with such proposed transactions and impose civil penalties and other sanctions if they are violated.

The bill requires any person controlling a domestic insurance company that seeks to divest its controlling interest to file a confidential notice of the proposed divestiture with the commissioner and send it to the company at least 30 days before divesting. It requires the commissioner to adopt regulations governing when his prior approval is required for a divestiture.

The bill expands confidentiality requirements for information provided to the department under related provisions of current law.

It expands filing requirements for insurance companies that are part of holding company systems by requiring, in certain cases, the person who ultimately controls an insurance company to file an annual enterprise risk report with the commissioner. This risk includes any circumstances involving one or more affiliates of an insurer that may harm its financial condition or liquidity or that of its holding company system. It subjects certain transactions between insurers and their holding company systems to department review and approval.

The bill allows the commissioner to initiate, be a member of, or participate in a supervisory college. This is a temporary or permanent forum for communication between and cooperation among state, federal, and international regulatory officials.

The bill allows the commissioner to examine an insurance company or its affiliates to determine the company's financial condition, including its enterprise risk.

Under the bill, the commissioner may, rather than must, require a domestic insurance company that has been acquired to submit to a financial examination and a market conduct examination within 30 days after the acquisition.

The bill makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2012

§2- CHANGE OF CONTROL OF AN INSURANCE COMPANY

By law, (1) no person other than a securities issuer may engage in activities to acquire control of a domestic insurance company or, in most cases, a corporation controlling such a company and (2) no person may enter into an agreement to merge with or otherwise acquire control of a domestic insurance company or a corporation controlling the company unless he or she meet certain conditions. Such

a person must: (1) file an application with the insurance commissioner containing the information required by law, (2) send this information to the company, and (3) obtain the commissioner's approval of the application. By law, there is a rebuttable presumption that one entity controls another when it owns or controls at least 10% of its voting shares.

The bill excludes from the definition of "person", and thus these provisions, a securities broker normally holding less than 20% of the voting securities of an insurance company or an entity that controls an insurance company.

The bill specifies that a "domestic insurance company" includes any person controlling such a company, unless it is directly or through affiliates primarily engaged in business other than insurance, as determined by the commissioner. In doing so, it extends to persons controlling insurance companies the law's provisions governing the acquisition of a controlling interest in an insurer that currently apply to the insurers themselves. For example, if a holding company controlled an insurer, a person seeking control over the holding company would need to comply with the law's provisions.

§§ 2, 3 - PRE-ACQUISITION NOTIFICATION AND REVIEW

Notification

The bill requires, in most cases, a party seeking to acquire an insurance company to file a pre-acquisition notification with the commissioner. It also allows the acquired party to file this notification. Under the bill, an acquisition includes any agreement, arrangement, or activity that will result in a person acquiring, directly or indirectly, the control of another through (1) the acquisition of voting securities, assets, or bulk reinsurance or (2) a merger. The commissioner must treat any filed information as confidential.

The notification must be in a form and contain information as the National Association of Insurance Commissioners (NAIC) prescribes. The Connecticut commissioner may require additional material and

information he considers necessary. This can include, among other things, the opinion of an economist on the proposed acquisition's effect on competition in this state, to permit the commissioner to evaluate whether it will violate the competitive standard established by the bill.

The notification requirements do not apply to a purchase of securities solely for investment purposes, so long as they not used by voting or otherwise to cause or attempt to cause substantial reduction of competition in any Connecticut insurance market. If a purchase of securities results in the purchaser gaining control of at least 10% of the shares of the acquired company, it is not considered to be solely for investment purposes unless (1) the insurance regulatory official of the insurance company's state of domicile accepts a disclaimer of control from the company or affirmatively finds that control does not exist, and (2) the official communicates this to the Connecticut commissioner.

The requirements also do not apply to the acquisition:

1. of a person by another person when neither is directly or through affiliates primarily engaged in the business of insurance;
2. of an affiliate;
3. if (a) the combined market share of the involved insurers will not exceed 5% of the total market in any market, (b) there will be no increase in any market share, or (c) the combined market share of the involved insurers will not exceed 12% of the total market in any market and the market share will not increase by more than 2% of the total market in any market;
4. when notification would be required solely due to the resulting effect on Connecticut's ocean marine insurance business; or
5. of an insurance company when the insurance regulatory official of its state of domicile affirmatively determines that it is failing and (a) there is no feasible alternative to improving its

condition, (b) the public benefits of improving the company's condition through the acquisition exceed the public benefits that would arise from not reducing in competition in Connecticut, and (c) the official has communicated this to Connecticut's commissioner.

Under the bill, an "involved insurer" is (1) an insurance company that acquires or is acquired by another person, (2) an affiliate of the acquiring or acquired company, or (3) the insurance company that results from the merger.

Waiting Period

The bill creates a waiting period once the acquiring party files the notification. The waiting period begins the date the commissioner receives the notification and ends 30 days later, unless the commissioner ends the waiting period earlier. During this period, the commissioner may require, on a one-time basis, the acquiring or the acquired party to submit additional needed information relevant to the proposed acquisition. In this case, the waiting period ends on the 30th day after the commissioner receives the additional information or ends the waiting period, whichever is earlier.

Insurance Department Review

The commissioner must evaluate a proposed acquisition that is subject to the notification requirement to determine whether it will (1) substantially reduce competition in any line of insurance business in this state or (2) tend to create a monopoly in this state. In making his evaluation, the commissioner must consider the percentages of market share the involved insurers possess and the market in which they compete.

Under the bill, for acquisitions involving more than two involved insurers, there is prima facie evidence of a violation of the bill's competitive standards if a comparison of the percentage of market share of the involved insurance company with the largest market share (Insurer A), against any other involved insurer (Insurer B) shows for

any comparison that the percentages exceed those in the tables described below. If a percentage is not shown in the tables, it must be interpolated.

Highly Concentrated Markets. For highly concentrated markets (those where the four largest insurance companies have 75% or more of the market), the shares are:

Insurer A	Insurer B
4%	4% or more
10%	2% or more
15%	1% or more

Thus, if the largest of three companies involved in a transaction has a 10% market share and the next largest has a 5% share, there would be a presumption that the transaction is anticompetitive.

Other Markets. In other markets, the shares are:

Insurer A	Insurer B
5%	5% or more
10%	4% or more
15%	3% or more
19%	1% or more.

Other Prima Facie Evidence of Violation

Under the bill, an acquisition involving two or more involved insurers competing in the same market is prima facie evidence of a violation of the competitive standards if (1) there is a significant trend

toward increased concentration in the market, (2) one of the involved insurers is in a group of large insurance companies that shows this increase, and (3) another involved insurer's market share is 2% or more.

Under the bill, there is a significant trend toward increased concentration when the aggregate market share for any grouping of the largest insurance companies in the market, from the two largest to the eight largest, has increased by 7% or more of the market over a period extending from any base year between five years and 10 years before the proposed acquisition.

The bill defines "market" as the relevant product and geographical markets. In determining these markets, the commissioner must consider any (1) NAIC definitions or guidelines, (2) information submitted by an acquiring or acquired party, and (3) other information he considers relevant. In the absence of sufficient information to the contrary (1) the relevant product market is the direct written insurance premium for a line of business, i.e., a line being used in the annual statement insurance companies doing business in this state must file with the commissioner, and (2) the relevant geographical market is Connecticut.

Rebuttal of Presumption

An acquiring or acquired party may rebut the presumption of a prima facie violation based on substantial evidence of the absence of the requisite anticompetitive effect. The rebuttal may include factors such as the involved insurers' market shares, the volatility of market leader rankings, the number of competitors in the market, the concentration and the trend in concentration in the insurance industry, and ease of entry to and exit from the market.

Other Violations

The bill allows the commissioner to find, based on substantial evidence, a violation of the competitive standards that is not a prima facie violation.

Orders

If the commissioner finds that a proposed acquisition violates the bill's competitive standards or an acquiring party either fails to file or fails to provide adequate information in the required notification, the commissioner may issue an order (1) directing an involved insurer to cease and desist from doing business in Connecticut with respect to any line of insurance involved in the violation or (2) denying an involved insurer's application for a license to do business in Connecticut. The order does not apply if the proposed acquisition is not consummated.

The commissioner may not issue this order unless (1) there is a hearing, notice of which is provided to the involved insurers before the end of the waiting period (described above) and at least 15 days before the hearing and (2) the hearing is concluded and the order issued within 60 days after the date the acquiring party filed the notification. The order must be accompanied by the commissioner's written decision setting forth findings of fact and conclusions of law.

The commissioner may not issue an order if the proposed acquisition will (1) yield substantial economies of scale or economies in resource utilization that cannot be feasibly achieved any other way or (2) substantially increase the availability of insurance in this state, and either of these benefits exceed those that would arise from not causing a reduction in competition in this state.

Penalties

The bill subjects any person who violates the commissioner's cease and desist order, after notice and hearing, to a fine of up to \$10,000 for each day of the violation, suspension or revocation of his or her license, or both.

Any person who fails to make a required filing and fails to demonstrate a good faith effort to comply with the filing requirement "will" be fined up to \$50,000.

§§ 2, 4 - REVIEW OF APPLICATION FOR CHANGE OF CONTROL

By law, when a domestic insurer is the subject of a proposed merger or change of control, it must submit an application to the Insurance Department containing specified information. The bill expands the information that must be included on the application for department approval of a proposed transaction to include acknowledgements by the applicant that:

1. he or she will make a good faith effort to ensure that the annual enterprise risk report required by the bill is filed in a timely manner for as long as he or she has control and
2. he or she and all subsidiaries in the insurance holding company system within his or her control will provide information the commissioner requests to evaluate enterprise risk to the insurance company.

Under the bill, “enterprise risk” is any activity, circumstance, event, or series of events involving one or more affiliates of an insurer that, if not remedied promptly, will likely have a material adverse effect on the financial condition or liquidity of the insurer or its holding company system as a whole. Among other things, this includes any activity, circumstance, event, or series of events that would cause (1) an insurer's or health care center's (HMO) risk-based capital to fall below minimum level required by law or (2) an insurer to be in a hazardous financial condition.

Hearing and Review of Application

By law, the commissioner must hold a hearing on whether to approve a proposed change of control within 30 days after receiving a completed application. The commissioner must give at least 20 days' notice of the hearing to the person filing the statement. If any amendment to the application is filed, the commissioner may postpone the hearing for a reasonable period up to 30 days after the amendment is filed.

Under current law, the person filing the application must provide notice of the hearing to the insurance company and to anyone else the

commissioner designates. The bill requires the filer to provide its notice at least seven, rather than at least 15 days, before the hearing. It requires the filer to (1) publish notice of the hearing in newspapers in Hartford and other municipalities as the commissioner direct and (2) provide notice in other ways the commissioner deems appropriate under the circumstances.

Under the bill, if a proposed merger or other acquisition of control requires the approval of another state's insurance, the public hearing may be held on a consolidated basis at the commissioner's discretion. The hearing must be held in the United States before the officials of the states where the insurance companies are domiciled, who must hear and receive evidence. An insurance regulatory official may attend the hearing in person or by telecommunication.

Decision Criteria

By law, the commissioner must make his determination whether to approve the merger or other change in control within 30 days after the hearing. Under the bill, if there will be a change of control of a domestic insurance company, the commissioner must by the same deadline, also determine whether the acquiring party must maintain or restore the insurance company's capital to the level required under Connecticut.

The bill requires the commissioner to consider (1) the information submitted in the pre-acquisition notification and (2) whether the proposed acquisition will substantially reduce competition in any line of insurance business in the state or tend to create a monopoly here when evaluating the effect of the merger or other acquisition of control on competition in this state.

Under current law, the commissioner must approve a merger or other acquisition of control unless he finds that:

1. after the change of control, the domestic insurance company would not be able to satisfy the requirements for the issuance of a license to write the line or lines of business for which it is

presently licensed;

2. the transaction would substantially lessen insurance competition in this state or tend to create a monopoly here;
3. the financial condition of any acquiring party might jeopardize the insurance company's financial stability or prejudice the interests of its policyholders;
4. the acquiring party's plans or proposals to liquidate the insurance company, sell its assets, consolidate or merge it with any person, or make any other material change in its business or corporate structure or management are unfair and unreasonable to the insurance company's policyholders and are not in the public interest;
5. the competence, experience, and integrity of the persons who would control the insurance company's operations are such that it would not be in the interest of company's policyholders and the public to permit the transaction; or
6. the acquisition is likely to be hazardous or prejudicial to those buying insurance.

The bill allows the commissioner to approve a merger or other acquisition of control on the condition of the correction or removal, within a specified period of time, of grounds listed above that would otherwise lead him to disapprove the application.

The bill bars the commissioner from disapproving a merger or other acquisition of control based on the above criteria if he finds that the proposed transaction will (1) yield substantial economies of scale or economies in resource utilization that cannot be feasibly achieved any other way or (2) substantially increase the availability of insurance in this state, and either of these benefits exceed those achieved by maintaining the level of competition in the state.

§§ 2, 3 - DIVESTITURE OF CONTROL

The bill requires any person who controls a domestic insurance company and who seeks to divest the controlling interest to file with the commissioner and send to the company a confidential notice of the proposed divestiture at least 30 days before the divestiture. The notice must remain confidential until the conclusion of the divestiture unless the commissioner determines that this will interfere with the enforcement of the insurance law regarding mergers and acquisition of control. The filing requirement does not apply where the divestiture is occurring in conjunction with a merger and acquisition where the application required by current law has been filed with the commissioner with respect to the transaction. The commissioner must adopt implementing regulations governing when a controlling person must obtain his prior approval of a divestiture.

The bill subjects a divestiture without the commissioner's approval to the same civil and criminal penalties that apply under current law to gaining control of an insurance company without his approval.

§ 8 - CONFIDENTIALITY OF INFORMATION

Restrictions on Access to Information

By law, all (1) information, documents and copies obtained by or disclosed to the commissioner or any other person in the course of an examination or investigation made under current law and (2) information reported, furnished, or filed under the laws requiring companies to be registered and governing transactions between holding companies and insurance companies, is confidential and not subject to subpoena. The bill extends this protection to materials submitted in these reviews. It specifies that all of the information and related data is (1) privileged (2) not subject to disclosure under the Freedom of Information Act, and (3) not subject to discovery or admissible in evidence in any civil action.

Under current law, the commissioner, NAIC, and any other person may not make this information and data available to the public except to insurance departments of other states. The bill instead prohibits the commissioner from making the information, documents, materials or

copies public without the affected insurance company's prior written consent. The company's consent is not needed if the commissioner gives the insurance company and its affiliates who would be affected notice and opportunity to be heard and determines that the interests of policyholders, security-holders, or the public will be served by the publication of the information, in that case he may publish all or any part of the information in a way he considers appropriate.

The bill prohibits the commissioner and anyone who receives the information, documents, materials or copies or with whom they are shared, while acting under the commissioner's authority, from testifying or being required to testify in any civil action concerning them.

Permitted Disclosures

The bill allows the commissioner to use the information, documents, materials or copies in the furtherance of any regulatory or legal action brought as part of his official duties.

It allows the commissioner, to assist him in the performance of his duties, to:

1. share confidential and privileged information, documents, materials or copies with (a) other state, federal and international regulatory officials, (b) NAIC or its affiliate or subsidiaries, (c) the International Association of Insurance Supervisors, (d) the Bank for International Settlements, (e) the Federal Insurance Office, (f) state, federal, and international law enforcement authorities, and (g) members or participants of a supervisory college when the commissioner is a member or a participant, provided the recipient agrees, in writing, to maintain their confidentiality and privileged status and has verified, in writing, his or her legal authority to maintain confidentiality;
2. receive information, documents, materials, or copies, including those that are confidential and privileged, from NAIC or its affiliates or subsidiaries, the Federal Insurance Office,

International Association of Insurance Supervisors, the Bank for International Settlements, or state, federal and international law enforcement authorities, provided the commissioner maintains them as confidential and privileged when notified of that they are so under the laws of the jurisdiction that is their source; and

3. enter into written agreements with NAIC, the International Association of Insurance Supervisors, and the Bank for International Settlements governing the sharing and use of information, documents, materials, or copies shared or received under Connecticut law.

The agreements must (1) specify the procedures and protocols regarding the confidentiality and security of the shared information; (2) specify that the commissioner must retain ownership of the information and that the use of this information by the other entities is subject to his discretion; (3) require prompt notice to be given to an insurance company whose confidential information is in the other entity's possession if it is subject to a request or subpoena for disclosure or production of this information; and (4) require, if the other entity is subject to disclosure of an insurance company's shared confidential information, the entity must allow the company to intervene in any judicial or administrative action regarding the disclosure or information.

Under the bill, no waiver of any applicable privilege or claim of confidentiality in any information, documents, materials, or copies occurs as a result of disclosure to the commissioner or of sharing in accordance with the bill. The bill cannot be construed to delegate any of the commissioner's regulatory authority to any person or entity with which any information, documents, materials, or copies have been shared. Any information, documents, materials, or copies in the possession of NAIC or its affiliates or subsidiaries, the International Association of Insurance Supervisors, and the Bank for International Settlements must be confidential by law and privileged and not be subject to discovery or admissible in evidence in any civil action in this

state.

These powers do not apply when the commissioner shares an enterprise risk report with insurance regulatory officials of another state.

§§ 10, 11 - EXAMINATION OF ENTERPRISE RISK

The bill allows the commissioner to examine a registered insurance company or its affiliates to determine the company's financial condition, including its enterprise risk, (1) the company's ultimate controlling person, (2) any member or combination of members within its insurance holding company system, or (3) its insurance holding company system on a consolidated basis.

The bill allows the commissioner to order an insurance company to produce records, books, or other information it does not have in its possession if it can obtain access to them under a contractual agreement, statutory obligation, or other method. If the company cannot obtain access to the information, it must give the commissioner a detailed explanation of why it cannot and identify who holds the information. If the commissioner finds the explanation to be without merit, the delay in producing the information is grounds for suspending, revoking, or refusing to renew the insurer's license as provided by current law.

Sanctions for Violation

The bill allows the insurance commissioner to (1) disapprove dividends and other distributions and (2) place an insurer under administrative supervision as authorized by current law, when it appears to the commissioner that any person has violated the laws governing changes in the control of an insurance company in a way that prevents the full understanding of the enterprise risk posed to the insurer by its insurance holding company system or affiliates.

§ 6 - REGISTRATION REQUIREMENTS FOR COMPANIES THAT ARE PART OF HOLDING COMPANY SYSTEMS

By law, each insurance company that is authorized to do business in

Connecticut and is a member of an insurance holding company system must register with the commissioner and file a registration statement containing specified information. The bill requires that the statement also include:

1. statements that the company's board of directors oversees its corporate governance and internal controls, and that its officers or senior management have approved, implemented, and continue to maintain the governance and controls;
2. if requested by the commissioner, financial statements of or within an insurance holding company system, including all affiliates, that may include annual audited financial statements filed with the Securities and Exchange Commission under federal law, and can be those of the insurance company or its parent corporation; and
3. any other information required by department regulations.

The bill requires that on June 1, 2013 and annually thereafter, the controlling person of each insurance company required to register under these provisions must file an enterprise risk report in a form and manner prescribed by the commissioner. The report must identify, to the best of the person's knowledge and belief, the material risks within the insurance holding company system that could pose enterprise risk to the insurance company.

The report must be filed with the lead state commissioner as determined by the procedures in NAIC's applicable financial analysis handbook. It must (1) be confidential by law and privileged, (2) exempt from the Freedom of Information Act, (3) not be subject to subpoena, and (4) not be subject to discovery or admissible in any civil action.

The commissioner may not make the report public without the filer's prior written consent. But the commissioner can disclose the information, after giving the filer and the insurance company to which

the report pertains and its affiliates in the insurance holding company system who would be affected notice and opportunity to be heard, if he determines that the interests of policyholders, security holders, or the public will be served by the disclosure. In this case, the commissioner may publish all or part of the information in a way he considers appropriate.

The commissioner may also use the report in the furtherance of any regulatory or legal action brought as part of his official duties. He may share the enterprise risk report only with the insurance regulatory official of another state with laws or regulations substantially similar to Connecticut's who has agreed, in writing, to maintain the report's confidentiality and privileged status.

By law, the failure to file a registration statement or any amendment, or addition is subject to a variety of sanctions. The bill extends these sanctions to apply to the failure to file a summary or an enterprise risk report.

§ 6 – SUPERVISORY COLLEGES

In order to assess the business strategy, financial, legal, or regulatory position risk exposure; risk management; or governance processes of a domestic insurance company that must register and that is part of an insurance holding company system with international operations, the bill allows the commissioner to initiate, be a member of, or participate in a supervisory college. This is a temporary or permanent forum for communication between and cooperation among state, federal, and international regulatory officials. The commissioner must take this action in the context of an examination of a company as permitted by current law.

If the commissioner initiates a supervisory college, he must (1) establish its membership and participation by state, federal, or international regulatory officials in it; (2) establish its functions and the role of members and participants; (3) select a chairperson for the supervisory college; (4) coordinate its activities, including meeting

planning and processes for information sharing that comply with the law's applicable confidentiality provisions; and (5) establish a crisis management plan for the supervisory college.

The bill allows the commissioner to enter into written agreements with state, federal, or international regulatory officials on governing the activities of a supervisory college. The agreements must maintain the confidentiality requirements of Connecticut law.

Under the bill, each insurance company subject to registration must be assessed for and pay to the commissioner its share of the reasonable costs, including reasonable travel expenses, of the commissioner's participation in a supervisory college. The payment is in addition to any other taxes, fees, and money otherwise payable to the state. The commissioner must establish the assessment method for these costs and provide reasonable notice to each insurance company subject to an assessment.

These provisions do not affect the commissioner's authority to regulate an insurance company or its affiliate under the commissioner's jurisdiction or to delegate his regulatory authority to a supervisory college.

§ 7- TRANSACTIONS BETWEEN INSURANCE AND HOLDING COMPANIES

By law, certain transactions involving a domestic insurance company and any person in its holding company system may not be entered into unless (1) the insurance company has notified the commissioner in writing of its intent to enter into them at least 30 days in advance, or any shorter period the commissioner may permit and (2) the commissioner has approved or not disapproved the transaction within this period.

The bill specifies that these provisions apply to amendments to or modifications of affiliate agreements previously filed under the law that meet any of its any materiality standards. The bill also requires that the written notice for these amendments or modifications specify

the reasons for the change and the financial impact on the domestic insurance company. Within 30 days after the termination of a previously filed agreement, the insurance company must notify the commissioner of the termination in order for him to determine what written notice or filing is required, if any.

The bill subject all, rather than just material, management agreements, service contracts, and cost-sharing arrangements to the notice and approval requirements. It expands the types of transactions subject to these requirements to include:

1. guarantees by a domestic insurance company, although those that are (a) quantifiable as to amount, and (b) do not exceed the lesser of 0.5% of the company's admitted assets or 10% of surplus with regard to policyholders as of the last December 31st, are not subject to the notice requirement; and
2. direct or indirect acquisitions or investments in a person that controls the insurance company or in an affiliate of the company in an amount that, together with the insurance company's present holdings, exceeds 2.5% of the insurance company's surplus with regard to policyholders.

The latter provision does not apply to direct or indirect acquisitions of or investments in (1) subsidiaries acquired as allowed by law or (2) non subsidiary affiliates that are subject to the law.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 20 Nay 0 (03/20/2012)